

Dear Sirs

You have requested feedback on your consultation process for the Novo Mercado.

#### Level 1, Level 2 and Novo Mercado

Would you consider a proposal to limit the amount of years that a newly listed company could remain at Level 1, then Level 2 before finally progressing to Novo Mercado? The idea is to list with the “firm intention” to be in full compliance within say 5 years, with for example 2 years maximum at Level 1, and 3 years maximum at level 2. Non-compliance would result in forcible de-listing. This would discourage companies from listing that did not intend to improve their governance over time. Too many are satisfied with the minimum requirements.

#### Outstanding shares

We are not in favour of imposing a minimum market capitalisation. In Asia many small capitalisation companies have very high free floats and consequently significant trading volume. We are in favour of encouraging a high free float, rather than a high market capitalization. The problem of low free float in Latin America is caused by the propensity of company owners to use a stock market listing as a method of reducing their own equity participation (secondary capital raisings). By contrast in Asia most listings involve primary capital raising where the controlling shareholder is not selling, rather the company is raising growth capital. We would encourage changes to the tax code such that companies are incentivised to use the stock market to raise capital and dis-incentivised to use the stock market as a way for majority owners to sell their participation at listing time.

#### Change of control

It goes without saying that one of our primary concerns in all emerging markets is the ease with which significant transactions occur without the participation of minority shareholders. Brazil is not the worst offender, but the track record does not inspire confidence. Without commenting on BMF Bovespa’s specific proposals in this regard, we would view very positively any actions taken to reduce the incidences of abuse of minority shareholders at all times, not only during a change of control.

Thank you and regards.

Julian Garel-Jones - Director  
Polunin Capital Partners Limited